

Edgar Filing: GP STRATEGIES CORP - Form 8-K

GP STRATEGIES CORP  
Form 8-K  
December 01, 2004

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 8-K

CURRENT REPORT Pursuant  
to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of report (Date of earliest event reported) November 24, 2004  
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GP Strategies Corporation

-----  
(Exact Name of Registrant as Specified in Its Charter)

Delaware

-----  
(State or Other Jurisdiction of Incorporation)

1-7234

13-1926739

-----  
(Commission File Number)

(IRS Employer Identification No.)

777 Westchester Avenue, White Plains, NY

10604

-----  
(Address of Principal Executive Offices)

(Zip Code)

(914) 249-9700

-----  
(Registrant's Telephone Number, Including Area Code)

-----  
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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### Item 2.01 Completion of Acquisition or Disposition of Assets.

In July 2002, the Board of Directors of GP Strategies Corporation (the Company) approved a spin-off of certain of its non-core assets into a separate corporation, National Patent Development Corporation (NPDC). The separation of these businesses was accomplished through a pro-rata distribution (the Distribution) of 100% of the outstanding common stock of NPDC to the Company's stockholders on the record date of the Distribution. Holders of record, on November 18, 2004, of GP Strategies common stock and Class B capital stock received one share of NPDC common stock for each share of GP Strategies common stock or Class B capital stock owned. Shares of NPDC common stock were distributed on November 24, 2004 and are traded publicly under the symbol "NPDV" beginning November 26, 2004.

Previously, NPDC was incorporated on March 10, 1998 as a wholly owned subsidiary of the Company. On March 21, 2003, the Internal Revenue Service issued a favorable tax ruling, which would enable the Distribution to be tax-free. On February 12, 2004, NPDC was recapitalized whereby the authorized capital was changed to 10,000,000 shares of preferred stock and 30,000,000 shares of common stock. On July 30, 2004, the Company contributed the following non-core assets to NPDC in exchange for 17,769,919 shares of common stock:

1. 100% of the outstanding common stock of MXL Industries, Inc (MXL).
2. 9,133,417 common shares of Five Star Products, Inc. (Five Star) (a publicly traded corporation) representing an ownership interest of approximately 64%.
3. 293,271 common shares of Millennium Cell Inc. (a publicly traded corporation).
4. 1,067,900 common shares of Avenue Entertainment Group, Inc. (a publicly traded corporation).
5. 100% of the common stock of JL Distributors, Inc. whose sole asset is a \$2,800,000 senior unsecured 8% note receivable from Five Star due June 30, 2005, as amended.
6. An option to acquire 500,000 shares of common stock (an approximate 4% interest) of Red Storm Scientific Inc., a privately held company.
7. Approximately 1,000 acres of undeveloped real property located in Pawling, New York.
8. 100% of the common stock of Chestnut Hill Reservoir Company whose sole asset is certain undeveloped property located in East Killingly, Connecticut.

NPDC then transferred all of the above assets, excluding the MXL stock, to MXL for additional MXL stock. Prior to the contribution, NPDC was inactive and had no operations. In addition, on July 30, 2004, the Company made a cash capital contribution to NPDC, which was immediately transferred to MXL, of \$1,250,000 and agreed to make an additional capital contribution to NPDC out of certain proceeds of pending litigation and arbitration claims. The Company transferred an additional \$625,000 in cash prior to the Distribution.

After the spin-off became effective, the Company's business is comprised of its training and workforce development business operated by General Physics Corporation and its simulation business operated by GSE Systems, Inc. NPDC is a stand-alone public company owning all of the stock of MXL, the interest in Five

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Star and certain other non-core assets, previously described. Effective with the spin-off, the historical results of NPDC's operations will be presented as discontinued operations.

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Item 9.01. Financial Statements and Exhibits.

(b) Pro Forma Financial Information

On November 24, 2004, the Company completed the spin-off of NPDC. The following Unaudited Pro Forma Condensed Consolidated Statements of Operations for the nine months ended September 30, 2004 and for each of the years in the three-year period ended December 31, 2003, and the Unaudited Pro Forma Condensed Consolidated Balance Sheet as of September 30, 2004 give effect to the spin-off by the Company of certain of its non-core assets into a separate corporation, NPDC.

The Unaudited Pro Forma Condensed Consolidated Balance Sheet as of September 30, 2004 is prepared as if spin-off of NPDC was effective on September 30, 2004 and the Unaudited Pro Forma Condensed Consolidated Statements of Operations for the nine months ended September 30, 2004 and for each of the years in the three-year period ended December 31, 2003 are prepared as if as if spin-off of NPDC had occurred at the beginning of the respective period.

The Unaudited Pro Forma Condensed Consolidated Financial Statements are presented for informational purposes only and are not necessarily indicative of the financial position or results of operations of the Company that would have occurred had the Distribution been consummated as of the dates indicated above. In addition, the Pro Forma Condensed Consolidated Financial Statements are not necessarily indicative of the future financial position or operating results of the Company.

The Unaudited Pro Forma Condensed Consolidated Financial Statements have been prepared by the management of the Company. The statements should be read in conjunction with the Company's historical consolidated financial statements and notes thereto for each of the years in the three-year period ended December 31, 2003 and the nine months ended September 30, 2004, which are included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, as amended, and its Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2004, respectively. The statements should also be read in conjunction with NPDC's historical financial statements, and the notes thereto for each of the years in the three-year period ended December 31, 2003 and the nine months ended September 30, 2004, which are included in NPDC's Form S-1.

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GP STRATEGIES CORPORATION  
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET  
SEPTEMBER 30, 2004  
(in thousands)

GP

Less

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	Strategies Corporation (1)	Related of
-----		
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,818	\$ 2
Accounts and other receivables, net	43,063	16
Inventories	24,782	24
Costs and estimated earnings in excess of billings on uncompleted contracts	19,080	
Prepaid expenses and other current assets	6,202	
-----		
Total current assets	96,945	43
-----		
Property, plant and equipment, net	8,406	5
Intangible assets		
Goodwill	62,552	
Patents, licenses and contract rights, net	814	
-----		
	63,366	
Deferred tax assets	11,505	3
Other assets	7,699	4
-----		
Total assets	\$ 187,921	\$ 57
-----		
Liabilities and stockholders' equity		
Current liabilities:		
Current maturities of long-term debt	\$ 487	\$
Short-term borrowings	27,852	19
Accounts payable and accrued expenses	38,199	12
Billings in excess of costs and estimated earnings on uncompleted contracts	8,659	
-----		
Total current liabilities	75,197	32
-----		
Long-term debt less current maturities	13,488	2
Other non-current liabilities	1,832	
-----		
Total liabilities	90,517	35
-----		
Minority interests	4,064	1
-----		
Total stockholders' equity	93,340	20
-----		
Total liabilities and stockholders' equity	\$ 187,921	\$ 57,
-----		

(1) Represents historical condensed consolidated balance sheet of the Company as of September 30, 2004, derived from the unaudited condensed consolidated financial statements of the Company included in the Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.

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- (2) Represents net assets distributed to NPDC as if the spin-off occurred on September 30, 2004 and other adjustments directly attributed to the spin-off. The pro forma adjustment to equity represents an estimate as if the distribution was consummated as of September 30, 2004 and is not necessarily indicative of actual or future adjustments that may be required.

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GP STRATEGIES CORPORATION  
 UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004  
 (in thousands, except share data)

	GP Strategies Corporation (1)	Less NPDC Operations (2)
	-----	-----
Sales	\$ 228,776	\$ 87,464
Cost of sales	194,660	72,339
-----		
Gross profit	34,116	15,125
-----		
Selling, general & administrative expenses	(29,468)	(14,322)
-----		
Operating income	4,648	803
-----		
Interest expense	(2,550)	(948)
Investment and other income, net	671	425
-----		
Income from operations before income tax expense and minority interests	2,769	280
-----		
Income tax expense	(1,467)	(118)
-----		
Income from operations before minority interests	1,302	162
-----		
Minority interests	(349)	(264)
-----		
Net income from continuing operations	\$ 953	\$ (102)
-----		
Per Share Data:		
Basic and diluted net income from continuing operations per share	\$0.05	N/A

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Weighted average shares used to calculate earnings per common share amounts 18,158,000 N/A

- (1) Represents historical condensed consolidated statement of operations of the Company for the nine months ended September 30, 2004, derived from the unaudited condensed consolidated financial statements of the Company included in the Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
- (2) Represents the results of operations for entities and net assets distributed to NPDC for the nine months ended September 30, 2004. Selling, general and administrative expenses include only those corporate expenses that were directly attributed to the operations of the NPDC entities. Interest expense includes a corporate allocation based upon the net assets distributed to NPDC as a percentage of the Company's total net assets as of September 30, 2004.
- (3) Represents the pro forma condensed consolidated statement of operations of the Company as if the spin-off of NPDC occurred on January 1, 2004 and is not necessarily indicative of actual or future results of the continuing operations of the Company.

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GP STRATEGIES CORPORATION  
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(in thousands, except share data)

	GP Strategies Corporation (1)	Less NPDC Operations (2)
	-----	-----
Sales	\$ 168,678	\$ 28,644
Cost of sales	145,236	22,297
<hr/>		
Gross profit	23,442	6,347
<hr/>		
Selling, general & administrative expenses	(29,470)	(6,536)
<hr/>		
Operating loss	(6,028)	(189)
<hr/>		
Interest expense	(3,625)	(537)
Investment and other income, net	797	456
Valuation adjustment of liability for warrants	1,436	-
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Loss from operations before income tax expense and minority interests	(7,420)	(270)

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Income tax expense	(886)	(113)
Loss from operations before minority interests	(8,306)	(383)
Minority interests	30	(30)
Net loss from continuing operations	\$ (8,276)	\$ (413)
Per Share Data:		
Basic and diluted net loss from continuing operations per share	\$ (0.48)	N/A
Weighted average shares used to calculate earnings per common share amounts	17,139,000	N/A

- (1) Represents historical condensed consolidated statement of operations of the Company for the year ended December 31, 2003, derived from the audited consolidated financial statements of the Company included in the Annual Report on Form 10-K.
- (2) Represents the results of operations for entities and net assets distributed to NPDC for the year ended December 31, 2003. Selling, general and administrative expenses include only those corporate expenses that were directly attributed to the operations of the NPDC entities. Interest expense includes a corporate allocation based upon the net assets distributed to NPDC as a percentage of the Company's total net assets as of December 31, 2003.
- (3) Represents the pro forma condensed consolidated statement of operations of the Company as if the spin-off of NPDC occurred on January 1, 2003 and is not necessarily indicative of actual or future results of the continuing operations of the Company.

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GP STRATEGIES CORPORATION  
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(in thousands, except share data)

	GP Strategies Corporation (1)	Less NPDC Operations (2)
Sales	\$ 152,233	\$ 9,996
Cost of sales	134,768	7,897

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Gross profit	17,465	2,099
Selling, general & administrative expenses	(21,042)	(1,813)
Operating income (loss)	(3,577)	286
Interest expense	(2,770)	(322)
Investment and other income, net	300	(847)
Loss from operations before income tax benefit	(6,047)	(883)
Income tax benefit	819	371
Net loss from continuing operations	\$ (5,228)	\$ (512)
Per Share Data:		
Basic and diluted net loss from continuing operations per share	\$ (0.34)	N/A
Weighted average shares used to calculate earnings per common share amounts	15,370,000	N/A

- (1) Represents historical condensed consolidated statement of operations of the Company for the year ended December 31, 2002, derived from the audited consolidated financial statements of the Company included in the Annual Report on Form 10-K.
- (2) Represents the results of operations for entities and net assets distributed to NPDC for the year ended December 31, 2002. Selling, general and administrative expenses include only those corporate expenses that were directly attributed to the operations of the NPDC entities. Interest expense includes a corporate allocation based upon the net assets distributed to NPDC as a percentage of the Company's total net assets as of December 30, 2002.
- (3) Represents the pro forma condensed consolidated statement of operations of the Company as if the spin-off of NPDC occurred on January 1, 2002 and is not necessarily indicative of actual or future results of the continuing operations of the Company.



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FOR THE YEAR ENDED DECEMBER 31, 2001

(in thousands, except share data)

	GP Strategies Corporation (1)	Less NPDC Operations (2)
Sales	\$ 186,611	\$ 11,189
Cost of sales	164,034	8,944
<hr style="border-top: 1px dashed black;"/>		
Gross profit	22,577	2,245
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Selling, general & administrative expenses	(20,744)	(4,549)
<hr style="border-top: 1px dashed black;"/>		
Operating income (loss)	1,833	(2,304)
<hr style="border-top: 1px dashed black;"/>		
Interest expense	(4,733)	(345)
Investment and other income, net	4,470	97
<hr style="border-top: 1px dashed black;"/>		
Income (loss) from operations before income tax expense	1,570	(2,552)
<hr style="border-top: 1px dashed black;"/>		
Income tax expense	(2,515)	(1,071)
<hr style="border-top: 1px dashed black;"/>		
Net income (loss) for continuing operations	\$ (945)	\$ (3,623)
<hr style="border-top: 1px dashed black;"/>		
Per Share Data:		
Basic and diluted net income (loss) from continuing operations per share	\$ (0.07)	N/A
Weighted average shares used to calculate earnings per common share amounts	13,209,000	N/A

(1) Represents historical condensed consolidated statement of operations of the Company for the year ended December 31, 2001, derived from the audited consolidated financial statements of the Company included in the Annual Report on Form 10-K.

(2) Represents the results of operations for entities and net assets distributed to NPDC for the year ended December 31, 2001. Selling, general and administrative expenses include only those corporate expenses that were directly attributed to the operations of the NPDC entities. Interest expense includes a corporate allocation based upon the net assets distributed to NPDC as a percentage of the Company's total net assets as of December 30, 2001.

(3) Represents the pro forma condensed consolidated statement of operations of the Company as if the spin-off of NPDC occurred on January 1, 2001 and is not necessarily indicative of actual or future results of the

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continuing operations of the Company.

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EXHIBIT NO.	DESCRIPTION
99.1	GP Strategies Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2003, filed on April 14, 2004 and amended on April 29, 2004. *
99.2	GP Strategies Corporation Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2004, filed on November 15, 2004. *

\* Previously filed

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

GP Strategies Corporation

Date: December 1, 2004

Scott N. Greenberg, President and  
Chief Financial Officer

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